

## **LIRC BULLETIN 2003-03**

**DATE: December 1, 2003**

**TO: ALL PROPERTY AND CASUALTY INSURANCE COMPANIES**

**RE: FLEXIBLE RATING FILING GUIDELINES**

The purpose of this Bulletin is to respond to questions concerning the implementation of Act 351 (Senate Bill 721 – 2003 Regular Session). The Act, becomes effective January 1, 2004, changes current law by:

- ◆ Creating a Flexible Rating filing provision that allows multiple rate revisions within a 12-month period provided the cumulative rate revision does not exceed the 10% flexible rating band;
- ◆ Amending the prior approval filing limitation to one rate increase in a 12-month period;
- ◆ Changing the policyholder notification requirements to include the overall statewide average rate revision;
- ◆ Mandating a Market Report from the Louisiana Insurance Rating Commission to the legislature on or before February 1, 2008.

A complete copy of the Act and responses to frequently asked questions can be found on the Louisiana Department of Insurance's website [www.ldi.la.gov](http://www.ldi.la.gov). The Department of Insurance will routinely update the "Frequently Asked Questions" section on the Flexible Rating page. All insurers, including those currently considering entering or re-entering this State's property and casualty insurance marketplace, are encouraged to forward their questions to [flexrating@ldi.state.la.us](mailto:flexrating@ldi.state.la.us).

If there are any questions regarding this bulletin, contact Malissa J. Drake, Director of the Louisiana Insurance Rating Division, at 225.342.5203.



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Paula P. Davis  
Deputy Commissioner  
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## **FREQUENTLY ASKED QUESTIONS**

**1. Does Act 351 delete the 30-day file & use provision in LRS 22:1401.J(1) and (2)?**

Yes. The current 30-day file and use provision will be replaced by the Flexible Rating provision.

**2. How often can I submit a rate revision under the flexible rating provision?**

A company may submit multiple rate revisions under the Flexible Rating provision during a 12-month period, provided the request falls within the Flexible Rating guidelines.

Filings submitted under the Flexible Rating provision must adhere to the following:

- ♦ be within the band of -10% or +10%; and
- ♦ have a proposed effective date at least 30 days from the submission date to the commission; and
- ♦ the overall multiplicative cumulative rate change must be within the -10% and +10% flex band, during a 12-month period.

**3. How often may I apply for a filing revision under the prior approval provision?**

A company only has one approval for a rate increase before the LIRC during a 12-month period.

A company can request unlimited rate decreases before the LIRC during a 12-month period.

**4. If I use one provision, can I use the other provision?**

Yes. A company may file under both provisions during a 12-month period, provided the filing meets the requirements of the provision.

Filings submitted under the prior approval provision must qualify based on the 12-month limitation only. The proposed effective date must be at least 12 months after the effective date of the last rate filing approved under the prior approval provision.

Filings submitted under the Flexible Rating provision must adhere to the following:

- ◆ be within the band of -10% or +10%; and
- ◆ have a proposed effective date at least 30 days from the submission date to the commission; and
- ◆ the overall multiplicative cumulative rate change must be within the -10% and +10% flex band, during a 12-month period.

**5. If I submit a filing before January 1, 2004, with an effective date on or after January 1, 2004, is it eligible for flexible rating?**

No. It will be reviewed under current 30-day file and use law.

Filings received on and after January 1, 2004 will be reviewed under the law enacted by Act 351. Insurers may file and use revised rates within the flex band, -10% and +10%, no sooner than 30 days after filing with the Louisiana Insurance Rating Commission.

**6. Will a filing be considered under the flexible rating provision if it includes rule changes?**

Filings with only rule changes without an impact on premium will be reviewed under the prior approval provision only.

Filings that include rate and rule changes may be reviewed under the flexible rating provision.

Any change to the current rate structure that results in a rate revision outside the flex band will be reviewed under the prior approval provision.

**7. Will initial filings received after January 1, 2004, be eligible for review under the Flexible Rating provision?**

No. The Flexible Rating provision is only for rate revisions. All initial filings will be reviewed under the prior approval provision.

**8. May we file the first revision after an initial filing under the flexible rating provision?**

Yes. Both provisions may be used and the 12-month filing limitation does not apply.

**9. Will the Louisiana Department of Insurance provide public notice of filings reviewed under the Flexible Rating provision?**

Yes. The Department will provide information on filings filed under flexible rating provision on the website [www.ldi.la.gov](http://www.ldi.la.gov).

**10. Will the public have an opportunity to comment on filings reviewed under the Flexible Rating provision?**

Yes. The public may submit comments regarding a filing to the Insurance Rating Division.

**11. Do we have to send a separate notice informing the policyholder of the overall statewide average?**

No. The overall statewide average can be included in the renewal notice sent to policyholders.

**12. When are we required to include the overall statewide average on the notice to policyholders?**

Notices sent out on or after January 1, 2004. That is the effective date of Act 351.

**13. Are the filing requirements the same for filings submitted under the flexible rating provision?**

Yes. Filings submitted under the flexible rating revision must include all the required documents for a complete filing. Incomplete flexible rating filings will be ineligible for flexible rating and will be returned.

**14. Are notices to policyholders required for rate revisions approved by the Louisiana Insurance Rating Commission under the prior approval provision?**

Yes, a notice to policyholders is required for both prior approval and flexible rating rate revisions.

### Flexible Rating Examples - Multiple Filings in a 12-month period

	Flexible Rating	Eligibility as Requested	Prior Approval
1. Company had <b>+15%</b> <u>approved</u> by LIRC effective <b>August 1, 2003</b> ; then <u>requests</u> <b>+5%</b> to be effective <b>April 1, 2004</b> under flex rating.	Eligible for up to +10%	YES	Ineligible until August 1, 2004
2. Company had <b>+15%</b> <u>approved</u> by LIRC effective <b>August 1, 2002</b> ; <u>implemented</u> <b>+5%</b> effective <b>April 1, 2004</b> under flex rating; then <u>requests</u> <b>+15%</b> to be effective <b>July 1, 2004</b> under flex rating.	Ineligible as submitted; eligible for up to +4.76% before April 1, 2005	NO	Eligible as of August 1, 2003
3. Company had <b>+15%</b> <u>approved</u> by LIRC effective <b>August 1, 2004</b> ; then <u>requests</u> <b>+5%</b> to be effective <b>September 1, 2004</b> under flex rating.	Eligible for up to +10%	YES	Ineligible until August 1, 2005
4. Company had <b>+15%</b> <u>approved</u> by LIRC effective <b>August 1, 2002</b> ; <u>implemented</u> <b>+5%</b> effective <b>April 1, 2004</b> under flex rating; then <u>requests</u> <b>+4%</b> to be effective <b>August 1, 2004</b> under flex rating.	Eligible for up to +4.76% before April 1, 2005	YES	Eligible as of August 1, 2003
5. Company had <b>+15%</b> <u>approved</u> by LIRC effective <b>August 1, 2002</b> ; <u>implemented</u> <b>+5%</b> effective <b>April 1, 2004</b> under flex rating; then <u>requests</u> <b>+5%</b> to be effective <b>August 1, 2004</b> under flex rating.	Eligible for up to +4.76% before April 1, 2005	NO	Eligible as of August 1, 2003
6. Company had <b>+15%</b> <u>approved</u> by LIRC effective <b>August 1, 2002</b> ; <u>implemented</u> <b>+3%</b> effective <b>April 1, 2004</b> under flex rating; <u>implemented</u> <b>+3%</b> effective <b>August 1, 2004</b> under flex rating; then <u>requests</u> <b>+3%</b> to be effective <b>December 1, 2004</b> under flex rating.	Eligible for up to +3.68% before April 1, 2005	YES	Eligible as of August 1, 2003
7. Company had <b>+15%</b> <u>approved</u> by LIRC effective <b>August 1, 2002</b> ; <u>implemented</u> <b>+3%</b> effective <b>April 1, 2004</b> under flex rating; <u>implemented</u> <b>+3%</b> effective <b>August 1, 2004</b> under flex rating; then <u>requests</u> <b>+10%</b> to be effective <b>December 1, 2004</b> under flex rating.	Eligible for up to +3.68% before April 1, 2005	NO	Eligible as of August 1, 2003
8. Company had <b>+10%</b> <u>approved</u> by LIRC effective <b>December 1, 2002</b> ; had <b>+5%</b> <u>approved</u> by LIRC effective <b>December 1, 2003</b> ; <u>implemented</u> <b>-5%</b> effective <b>August 1, 2004</b> under flex rating; then <u>requests</u> <b>+5%</b> to be effective <b>December 1, 2004</b> under flex rating.	Eligible for up to +15.79%, in multiple filings before August 1, 2005	YES	Ineligible until December 1, 2004
9. Company had <b>+10%</b> <u>approved</u> by LIRC effective <b>December 1, 2002</b> ; had <b>+5%</b> <u>approved</u> by LIRC effective <b>December 1, 2003</b> ; had <b>-5%</b> <u>approved</u> by LIRC effective <b>August 1, 2004</b> ; then <u>requests</u> <b>+5%</b> to be effective <b>December 1, 2004</b> under flex rating.	Eligible for up to +15.79%	YES	Ineligible until December 1, 2004
10. Company had <b>+10%</b> <u>approved</u> by LIRC effective <b>December 1, 2002</b> ; had <b>+5%</b> <u>approved</u> by LIRC effective <b>August 1, 2003</b> ; <u>implemented</u> <b>+3%</b> effective <b>April 1, 2004</b> under flex rating; then <u>requests</u> <b>+4%</b> effective <b>August 1, 2004</b> under flex rating.	Eligible for up to +6.7% before April 1, 2005	YES	Ineligible until August 1, 2004

### Flexible Rating Examples - Multiple Filings in a 12-month period

	Flexible Rating	Eligibility as Requested	Prior Approval
11. Company had <b>+10%</b> <u>approved</u> by LIRC effective <b>December 1, 2002</b> ; had <b>+5%</b> <u>approved</u> by LIRC effective <b>August 1, 2003</b> ; <u>implemented</u> <b>+3%</b> effective <b>April 1, 2004</b> under flex rating; <u>implemented</u> <b>+4%</b> effective <b>August 1, 2004</b> under flex rating; then <u>requests</u> <b>+5%</b> to be effective <b>December 1, 2004</b> under flex rating.	Ineligible as submitted; eligible for up to +2.7% before April 1, 2005;	<b>NO</b>	Ineligible until August 1, 2004
12. Company's initial filing was <u>approved</u> by the LIRC, effective <b>December 1, 2003</b> ; had <b>+13%</b> <u>approved</u> by LIRC, effective <b>January 1, 2004</b> ; then <u>requests</u> <b>+5%</b> to be effective <b>March 1, 2004</b> under flex rating.	Eligible for up to +10%	<b>YES</b>	Ineligible until January 1, 2005